

# Financial Recovery Plan and 2021/22 Budget Context

4 February 2021

*“Noosa Shire -  
different by nature”*



- 2019/20 budget performance
- COVID financial recovery plan
- 2020/21 budget and YTD performance
- 2021/22 budget planning
- Budget / financial plan pressures
- Budget timetable



- COVID-19 impacts managed with **cash reserves largely maintained** and **operating surplus achieved**
- All 3 **sustainability indicators achieved**
- Significant **inflow of grant funding** (bushfires, stimulus, early FAG) assisted with buffering sales / fees reductions



- **Uncertainty** regarding 2019/20 and future financial position due to COVID
- Needed to ensure **community equity is protected** and **risks managed** where practical
- Provide Councillors and staff with a conservative **recovery timeframe**
- Understanding of **potential rating levels** for the next 4 years

# 6 Guiding Principles



1. All 3 legislative financial KPI targets **unlikely to be achieved** in the short term as per FS policy
2. Current levels of service **will be retained** where possible
3. **Cash flow analysis** informs budget development

# 6 Guiding Principles



4. Economic and community recovery initiatives **do not compromise** financial sustainability and recovery targets
5. Focus on **continuous improvement opportunities** for the benefit of ratepayers
6. New debt will be **strategically considered**

# Recovery Plan Assumptions



- Aligned immediate measures outlined by national/state announcements but allowing for a **level of conservatism**
- 10 year financial plan reworked to **test short to medium term** sustainability risk and measures needed – capex reset
- 4 year gradual recovery to **reduce rate notice shock**

# Recovery Assumptions

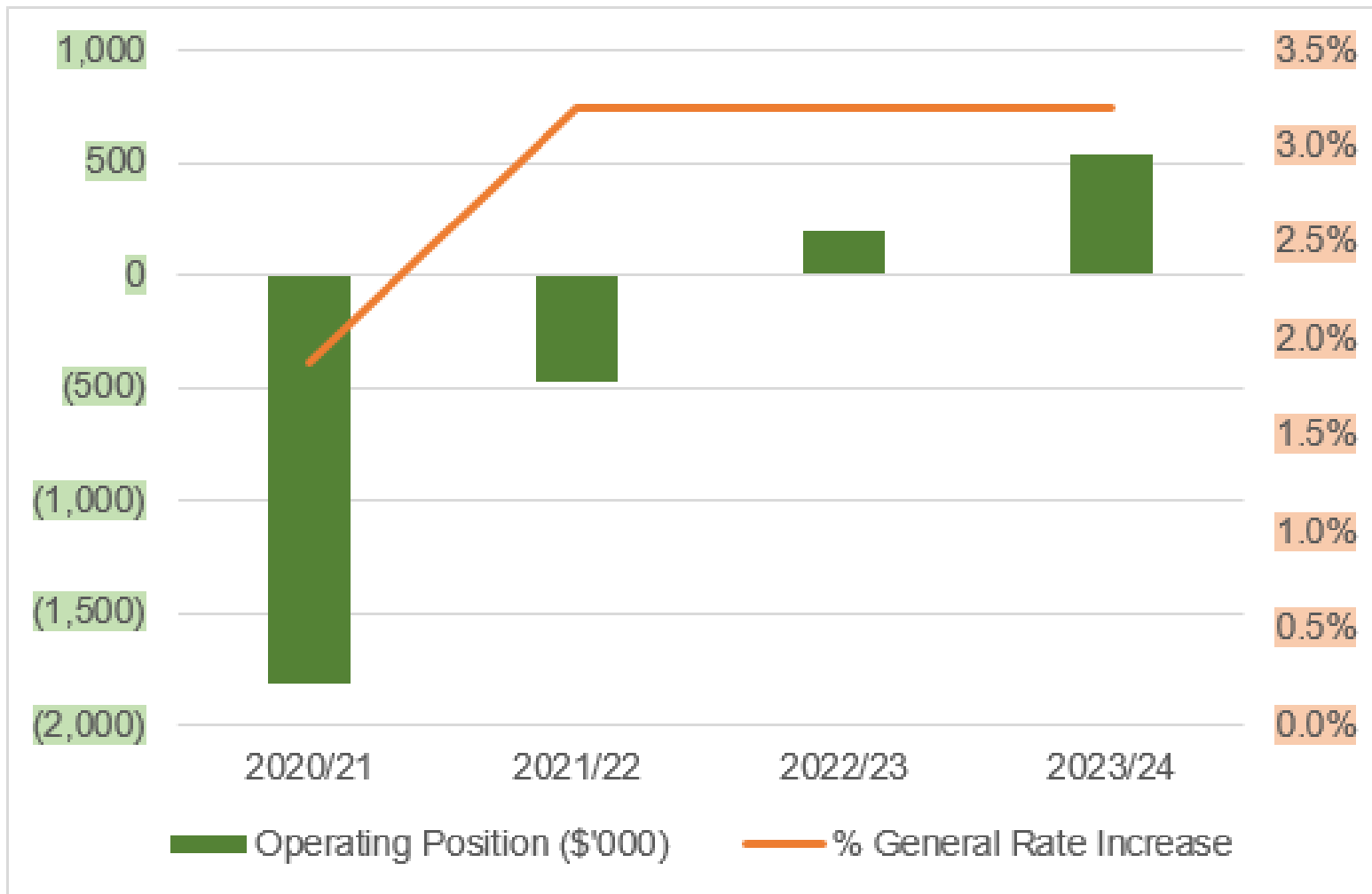


Assumption	2020/21	2021/22	2022/23	2023/24
Operating position	Deficit	Deficit	Balanced	Surplus
COVID-19 financial impact unwind*	n.a.	75%	95%	95%
General rate increase	Cost index	Cost index + 1%	Cost index + 1.2%	Cost index + 1.2%
Ratio performance:				
1. Operating surplus	✘	✘	✔	✔
2. Net financial liabilities	✔	✔	✔	✔
3. Asset sustainability	✘	✔	✔	✔
4. Cash cover	✔	✔	✔	✔
New debt	\$3.42m	\$0	\$0	\$0

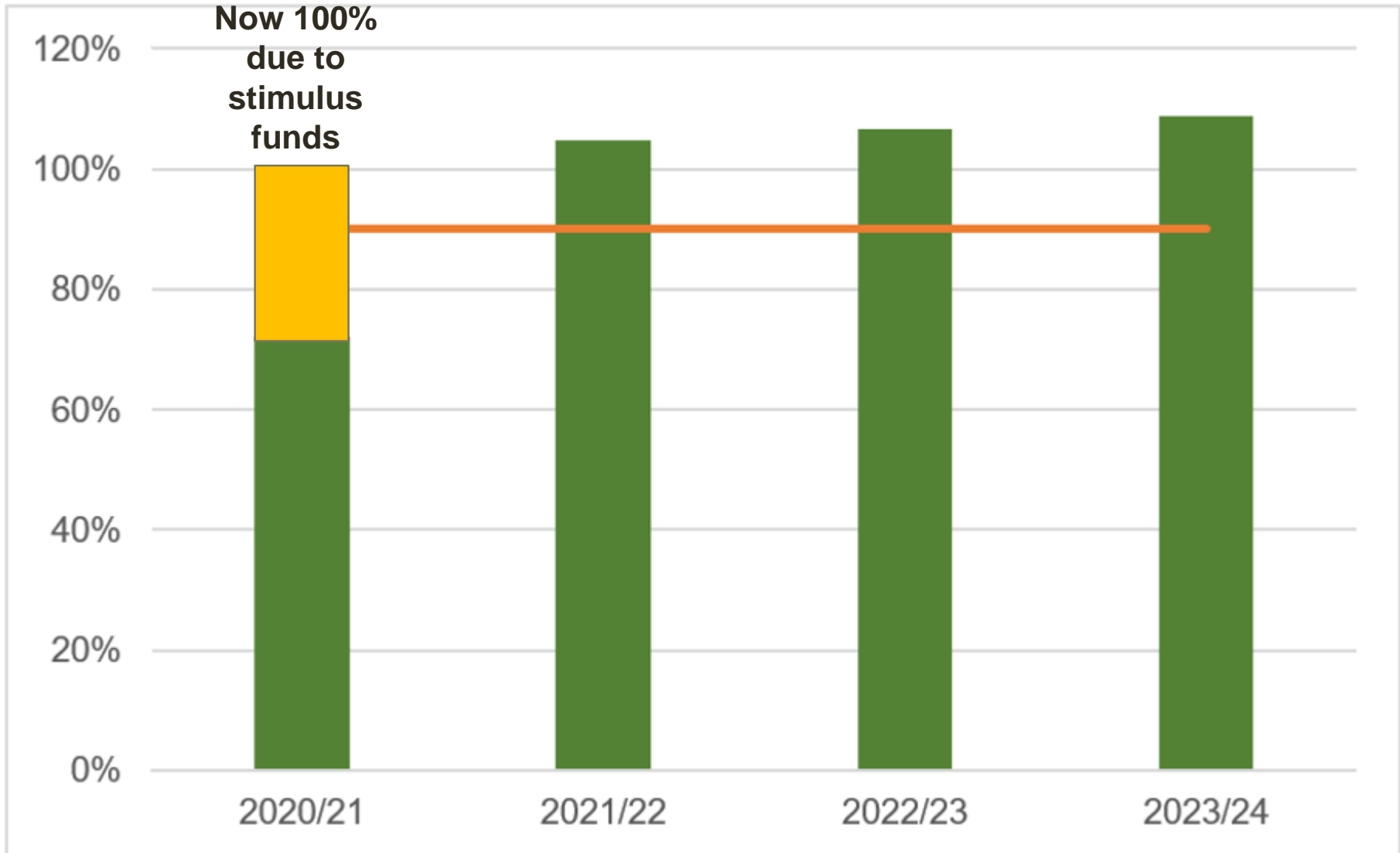
\* Reflects revenue recovery assumption per year as a % of 2020/21 budgeted financial impact



# Operating Recovery Path



# Capital Recovery - Renewals



# Financial Recovery Plan – 2020/21

## Budget



- Informed the **development of 2020/21 budget** incorporating revenue loss assumptions (i.e. closures, fee relief etc.)
- **\$2m of build from base expenditure** deferred in 2020/21 to manage cash flows
- 2020/21 operating budget deficit (\$1.8) million – **now \$3 million** (cash position remains strong at \$50m)
- **Strong current performance** at parks/facilities should reduce deficit (BR3)

# 2021/22 Budget Planning



- **BAU** budget development in progress (aligned to current service levels)
- **Pandemic uncertainty** still in play
- Some **conservatism** to be allowed for revenue forecasts (particularly facilities, holiday parks)
- **Ongoing PPE** operational cost impacts (cleaning service levels etc.)

# 2021/22 Budget Planning



- **Debt refinancing initiative** will allow short term cash upside (opex and capex)
- Begin to **unwind \$2m** of deferred build from base operating expenditure
- **Capital program in development** - **\$30m+** expected (deliver grant funded major projects, more W4Q funded projects)

# Budget Pressures / Risks



- Some budget pressures to manage closely moving forward:
  - Reduction in state / federal stimulus could **impact future rate arrears and operating cash flows**
  - Funding **major infrastructure whole of life costs** (Beckmans Rd, Rufous St, playground, trails, walking and cycling, other??)
  - **Unwinding** COVID related operating budget reductions

# Budget Pressures / Risks



- Some pressures to manage closely moving forward:
  - **Build from base increases** (contracts / EA outcomes)
  - Funding 2021/22 **budget new initiatives** (operating and capital)
  - Delivery of **existing grant funded projects**
  - Balancing **expectation vs rate notice** increase

# 2021/22 Budget Engagement



- Report to **February S&O meeting** recommending process
- **Educating** the community the key ('balance the budget')
- **Online and face to face** engagement
- March – June 2021



# 2021/22 Budget Timetable Next Steps



**February** – internal build from base completed, internal review of budget position, councillor discussions

**March** – engagement commences, councillor discussions

**April** – engagement feedback, councillor discussions

**May** – draft budget published for feedback, draft budget issued for feedback

**June** – consultation outcomes considered, budget adoption